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CONSOLIDATED
RAMBLER
MINES
LIMITED

ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31

1979

BOYLEN

CONSOLIDATED RAMBLER MINES LIMITED

Incorporated under the laws of Ontario on January 20, 1961

DIRECTORS	W. D. JAMIESON Saint John, New Brunswick A. G. KIRKLAND Saint John, New Brunswick W. D. MACAULAY Saint John, New Brunswick D. A. MACFARLANE Saint John, New Brunswick G. F. PUSHIE St. John's, Newfoundland L. MCC. RITCHIE Saint John, New Brunswick
OFFICERS	L. MCC. RITCHIE <i>President</i> A. G. KIRKLAND <i>Vice-President</i> D. A. MACFARLANE <i>Secretary and Treasurer</i> MRS. M. JONES <i>Assistant Secretary</i>
EXECUTIVE OFFICE	FIFTH FLOOR, GOLDEN BALL BLDG. Saint John, N.B.
MINE OFFICE	BAIE VERTE Newfoundland
AUDITORS	COOPERS & LYBRAND Saint John, N.B.
TRANSFER AGENT and REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

The year 1979 resulted in earnings of \$6,483,276 (\$2.17 per share) compared with \$4,049,458 (\$1.36 per share) in 1978. Both of these amounts are after adjustment for a recovery of federal income taxes due to the application of prior years' costs.

In 1979, 217,065 tons of ore were milled, from which 31,731 tons of concentrate were produced. While this production level was less than the previous year, it represents a high degree of performance when the actual working conditions are taken into account. Production in 1979 was affected by the smaller number of working places, the availability of miners and the mining conditions. A rockfall in the main haulageway in September resulted in a loss of production for about three weeks.

During the 1979 shipping season, eight boatloads containing approximately 37,300 short wet tons of concentrate were shipped. Of these shipments, six boats were destined for the Gaspé smelter of Noranda Mines Limited (Noranda) and two boatloads for the Horne smelter of Noranda at Noranda, Quebec. The 1979 shipments were down from the 1978 when ten shipments containing approximately 55,600 short wet tons of concentrate were made.

The average price received for the sale of the Corporation's concentrate in 1979 increased substantially over the year 1978, being up by about 75%. This was a reflection of significantly improved prices for copper, gold and silver, each of which increased by 40% or more in 1979 (on average) as compared with the previous year.

The Corporation ended the year 1979 with approximately 36,950 short dry tons of copper concentrate not paid for compared with 45,312 tons at the previous year end. Payable copper contained in concentrate has been valued at December 31, 1979 at 96¢ per lb.

It is expected by the management of your Corporation that metal prices will be subject to greater fluctuations in 1980 than 1979 and should a recession occur in the United States, could fall to levels lower than those prevailing at year end.

Our direct operating costs continued to be affected by inflation and the conditions described above. Based on cost per ton ore milled, costs increased by 31% in 1979 compared with 9% in 1978.

During 1979, the major portion of our production (67%) was mined from the Ming Extension property. It is expected that with a reserve of only 30,000 tons of ore in the Ming Mine at December 31, 1979, the Ming property will be mined out in 1980.

There was a substantial improvement in working capital in 1979. An increase of \$7.2 million was recorded, bringing the total to \$16.7 million. Shareholders will note, however, that for the first time, the Corporation has a current liability for income taxes, mining taxes have increased due to the lesser availability of deductions in computing taxable income and that \$6.5 million is owing under the participation agreement (described in note 2 to the financial statements). Profits earned in the fourth quarter of 1979 required the first payment under the agreement to be made before January 31, 1980. It is expected payments will be required quarterly in 1980 and future years.

The maintenance of the working capital is dependent on the realization of settlements receivable at values not less than those included in the accounts at December 31, 1979. At that date, Rambler had outstanding 36,950 tons of concentrate, payment for which in full is not expected before December, 1980. Due to the length of time involved in liquidating our settlements receivable, the Corporation continues to be at risk regarding metal prices.

Labour relations were quite satisfactory during 1979. Our union agreements negotiated for a two year period in 1978 will come up for re-negotiation about the end of September, 1980.

On behalf of the Board,

L. McC. RITCHIE, President

Saint John, N.B.

March 28, 1980

MINE MANAGER'S REPORT

To: — Mr. A. G. Kirkland, Vice-President

Operations for the year ended December 31, 1979, were as follows:

PRODUCTION	1979	1978
Ore Milled — D.S.T.	217,065	273,234
Average Per Operating Day	981	1,148
Grade % Copper	3.90	4.70
Operating Time %	89.4	86.5
Copper Recovery %	95.39	93.29
Concentrate Produced — D.S.T.	31,731	45,424
Contained Metals — Copper — Pounds (Net)	15,503,143	23,033,786
Gold — Ounces (Net)	10,507	15,393
Silver — Ounces (Net)	82,674	123,035

MINE OPERATING COSTS PER TON MILLED

Mining	\$15.34	\$10.57
Development	2.99	1.94
Milling	9.17	8.89
General	4.54	3.03
	<hr/>	<hr/>
	\$32.04	\$24.43
	<hr/>	<hr/>

ORE RESERVES

As at December 31	Ming		Ming X		Total	
	1979	1978	1979	1978	1979	1978
Vertical Depth — Ft.	1,700	1,700	2,400	2,200	2,400	2,200
Reserves — Tons	30,000	108,000	191,000	157,000	221,000	265,000
Grade % Cu	3.19	4.33	3.74	4.18	3.67	4.24
Grade Oz Au/Ton	0.08	0.08	0.08	0.08	0.07	0.08
Grade Oz Ag/Ton	0.68	0.75	0.69	0.79	0.61	0.77

Ore reserves for the Ming Mine are calculated from surface to the boundary of the property, nominally 1,700 ft. For the Ming Extension property, they are calculated from the boundary to the 2400 ft. level.

MING MINE DEVELOPMENT

	1979	1978
Main Ramp Advance — Ft.	—	1,480
Drifting — Ft.	543	281
Raising — Ft.	—	—
Diamond Drilling — Ft.	807	2,557

MING EXTENSION DEVELOPMENT

Main Ramp Advance — Ft.	1,472	601
Drifting — Ft.	587	391
Raising — Ft.	—	123
Diamond Drilling — Ft.	7,035	6,709

MILLING

Production for the year was below plan, but there were further improvements in copper recovery compared with 1978. Zinc (mercury) depression was maintained at acceptable levels during the year.

An attempt to improve the recovery of precious metals was made in the last six months by various circuit changes and addition of alternate reagents.

The sulphur burner was modified during the first part of the year and its operation was greatly improved.

MINING

Increasingly difficult mining conditions are being encountered at depth both with thinner ore lenses and incompetent hanging wall. A fall of ground in the main decline below the 1900 ft. level halted all production for three weeks in September, while a by-pass was being driven.

A cross-cut into the hanging wall was driven on the 2300 level to establish diamond drilling stations for exploration holes down to the 2400 and 2500 ft. levels.

An exploration cross-cut was driven into the footwall mineralized zone on the 1800 level. This initial opening exposed marginal copper values. Additional work is planned in this zone to establish a tonnage and grade estimate.

EXPLORATION

22 Claims Area (Extended Licence No. 21)

Fourteen hundred (1400) feet of diamond drilling, comprising six (6) holes, was completed, during 1979, along the acid-basic contact. No significant mineralization was intersected.

EXPLORATION

Rambler Mine Fee Simple Grant, Vol. 1, Fol. 83

Approximately eleven (11) line miles of geochemical soil sampling was conducted during 1979. Two anomalous areas were tested by diamond drilling consisting of 1020 feet in five (5) holes. Low grade copper mineralization was intersected in two (2) of the four (4) holes drilled at one anomaly; no significant mineralization was encountered at the other. Exploration will continue in this area during the 1980 field season.

Twenty-six (26) additional claims were staked in proximity to the area described above. Exploration will begin on these claims during 1980.

GENERAL

Once again it is a pleasure to acknowledge the support of the Officers and Directors of the Corporation, together with the mine staff and employees for a successful year.

Respectfully submitted,

J. E. GRAINGER, B.Sc., P.Eng.
Mine Manager

March 25, 1980

Balance Sheet

ASSETS

	1979 \$	1978 \$
CURRENT ASSETS		
Cash	9,527,965	1,524,803
Settlements receivable	18,617,688	12,408,421
Accounts receivable	207,872	43,674
Prepaid expenses	215,743	146,969
	<u>28,569,268</u>	<u>14,123,867</u>

FIXED ASSETS

Buildings, surface structures and equipment — at cost	8,740,873	8,513,065
Less: Accumulated depreciation	<u>8,117,358</u>	<u>7,391,058</u>
	623,515	1,122,007
Mining property — at cost less accumulated amortization of \$5,260,300 (1978 - \$4,993,600)	117,416	384,116
	<u>740,931</u>	<u>1,506,123</u>

DEFERRED EXPENDITURES

Mine development expenses — at cost less accumulated amortization of \$2,010,051 (1978 - \$1,701,251)	314,288	623,089
Materials and supplies	<u>893,029</u>	<u>617,846</u>
	1,207,317	1,240,935
	<u>30,517,516</u>	<u>16,870,925</u>

Signed on behalf of the Board

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

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December 31, 1979

LIABILITIES

	1979 \$	1978 \$
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	548,556	959,294
Income taxes payable	1,960,000	—
Mining tax payable	2,682,812	1,376,628
Accrual under participation agreement (note 2)	6,586,000	1,636,000
Current instalment on purchase price of mining property	—	642,131
	<u>11,777,368</u>	<u>4,614,053</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —		
5,000,000 shares of \$1 par value		
Issued —		
2,980,006 shares	2,980,006	2,980,006
Less: Discount thereon	965,000	965,000
	<u>2,015,006</u>	<u>2,015,006</u>
CONTRIBUTED SURPLUS	14,625	14,625
RETAINED EARNINGS	16,710,517	10,227,241
	<u>18,740,148</u>	<u>12,256,872</u>
	<u>30,517,516</u>	<u>16,870,925</u>

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended December 31, 1979

	1979 \$	1978 \$
REVENUE FROM CONCENTRATE PRODUCTION	25,183,451	17,887,584
Less: Marketing expenses	689,566	1,016,116
INTEREST INCOME	24,493,885	16,871,468
	374,309	91,264
	24,868,194	16,962,732
EXPENSES		
Operating	7,146,818	7,215,687
Exploration	259,847	44,366
Depreciation and amortization	1,358,500	2,249,000
Interest (including interest on long-term debt of \$24,299; 1978 - \$73,853)	124,753	527,221
Allocation under participation agreement (note 2)	4,950,000	1,600,000
	13,839,918	11,636,274
EARNINGS BEFORE TAXES AND EXTRAORDINARY ITEM	11,028,276	5,326,458
PROVISION FOR TAXES		
Income taxes	3,600,000	1,668,000
Mining taxes	2,585,000	1,277,000
	6,185,000	2,945,000
EARNINGS BEFORE EXTRAORDINARY ITEM	4,843,276	2,381,458
EXTRAORDINARY ITEM		
Reduction of current year's income taxes on application of prior years' costs (note 3)	1,640,000	1,668,000
NET EARNINGS FOR THE YEAR	6,483,276	4,049,458
RETAINED EARNINGS — BEGINNING OF YEAR	10,227,241	6,177,783
RETAINED EARNINGS — END OF YEAR	16,710,517	10,227,241
EARNINGS PER SHARE:		
Before extraordinary item	1.62	0.80
For the year	2.17	1.36

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1979

	1979 \$	1978 \$
SOURCE OF WORKING CAPITAL		
From operations	7,831,173	6,702,258
Decrease in materials and supplies	—	245,969
	<u>7,831,173</u>	<u>6,948,227</u>
USE OF WORKING CAPITAL		
Buildings and equipment	53,900	130,460
Increase in materials and supplies	23,461	—
Transfer of mortgage principal from long-term debt to current liabilities	—	642,131
	<u>549,087</u>	<u>772,591</u>
INCREASE IN WORKING CAPITAL	7,282,086	6,175,636
WORKING CAPITAL — BEGINNING OF YEAR	<u>9,509,814</u>	<u>3,334,178</u>
WORKING CAPITAL — END OF YEAR	<u>16,791,900</u>	<u>9,509,814</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1979

1. SIGNIFICANT ACCOUNTING POLICIES

Settlements Receivable —

Settlements receivable are shown at estimated realizable value (less advances of NIL; 1978 - \$2,714,000). In accordance with terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received may vary from the amounts shown as settlements receivable at December 31, 1979. Payable copper contained in concentrate has been valued at \$.96 per pound; 1978 - \$.74.

Depreciation and Amortization —

Depreciation and amortization of fixed assets are on the unit of production method on a basis of the estimated ore reserves.

Mine development expenses are being amortized on the unit of production method on a basis of the estimated ore reserves.

Materials and Supplies —

Material and supplies inventory are valued at the lower of cost and estimated realizable value.

2. PARTICIPATION AGREEMENT

Under a participation agreement between the Corporation, the Carroll Prospector Group ("Carroll") and Advocate Mines Limited ("Advocate"), the Corporation is extracting ore from a property known as the Ming Extension which adjoins the Corporation's Ming Mine. The agreement provides for the Corporation to pay to Carroll and Advocate 10% of the profits therefrom until its exploration and preproduction costs have been recovered and thereafter 55% of the profits.

3. INCOME TAXES

In prior years the Corporation recorded depreciation and amortization in its accounts but did not claim all of the relative allowances for income tax purposes. Accumulated allowances unclaimed for tax purposes are approximately \$1,000,000. (1978 - \$4,000,000)

4. ORE RESERVES

The Corporation calculated its ore reserves at December 31, 1979 to be 220,000 tons grading 3.67% copper to the 2,400' level of the mine compared with 265,000 tons grading 4.24% copper to the 2,200' level at the preceding year. Approximately 217,000 tons of ore were mined and milled in 1979. Exploration of levels below the 2,400' level is continuing.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total direct remuneration paid during 1979 to directors was \$3,000 and to senior officers (as defined in the Ontario Business Corporations Act to include the five highest paid employees of the Corporation) was \$148,561.

6. COMPARATIVE FIGURES

Certain comparative figures in the statement of earnings and retained earnings have been reclassified to the presentation adopted in 1979.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Rambler Mines Limited as at December 31, 1979 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 31, 1980

COOPERS & LYBRAND

Chartered Accountants

